

- c. The auditor will review the electronic data for accuracy and completeness in conjunction with the established control documentation.

3. The Sampling Process

- a. The stratified random sampling process begins with determining the sampling unit, which is usually a transaction record selected from the electronic records included in the target population.
- b. Next, the sampling units are placed into dollar ranges called strata and the sample size is statistically calculated for each stratum. A random sample is obtained for each stratum thereby allowing every item in the stratum to have an equal chance of being selected. At this point, the proposed sampling agreement is generated.
- c. Once the sampling agreement has been signed, the auditor will review the sample items, detail any adjustments found, calculate an error ratio for each stratum, and project the taxable percentages.

Frequently Asked Questions

- Can computer-assisted auditing be used to audit my business if not all of my records are maintained electronically?

Yes. Based on the records that are kept electronically, computer-assisted audit techniques can be used to audit certain aspects of the business. For example, if the purchase records are maintained electronically, computer-assisted techniques could be used to review the purchases while the sales are reviewed manually.

- Does the taxpayer have input regarding the sample creation?

Yes. The auditor works with the taxpayer to come to an agreement on what will be included or excluded from the target population. Certain transactions can be reviewed in full or separately sampled.

- Can the taxpayer verify that the transactions chosen to be included in the review sample were selected randomly?

Yes. ACL audit analytics software and RAT-STATS statistical software tools are used to generate random numbers based on a random seed. Taxpayers can be given the random seed number and can duplicate the randomly selected sample.

- Are the taxpayer's rights to contest audit findings affected when a computer-assisted audit is conducted?

No. Taxpayers have the same rights to contest the computer-assisted audit results as any other audit.

For more information about the LDR Computer-Assisted Audit Program, contact the Field Audit Services Division at the following address and phone number:

Louisiana Department of Revenue
Field Audit Services, CAA Section
P.O. Box 4936
Baton Rouge, LA 70821-4936
Telephone: (225) 219-2720

Information is also available on the LDR web site at www.revenue.louisiana.gov.

COMPUTER-ASSISTED AUDITS





Computer Assisted Audits

Computer-Assisted auditing is a method of auditing taxpayer records using the taxpayer's electronic records, which is more efficient and less disruptive than other conventional auditing methods.

Revised Statute 47:1541 (B) authorizes the Louisiana Department of Revenue (LDR) to enter into an agreement with a taxpayer to audit the taxpayer's records using a sampling technique as a basis for projecting tax underpayments or overpayments. Revised Statute 47:1542.2 requires taxpayers to provide records and supporting documentation to LDR in electronic format if the taxpayer already maintains their records electronically.

The LDR Field Audit Services Division employs computer-assisted audits to reduce the taxpayer's audit-related administrative and personnel costs while still maintaining a high degree of accuracy in the audit results.

Benefits of Computer-Assisted Auditing

Taxpayers benefit by computer-assisted audits as follows:

1. It reduces the number of paper copies that must be provided to the auditor as documentation.
2. It reduces the number of transactions audited because the auditor only reviews a targeted sample focused on specific issues.
3. The taxpayer provides the sample records electronically, which speeds up the audit process and eliminates the need for manual record input and the risk of input errors.

4. Since the taxpayer provides the transaction data electronically, the auditor spends less time at the taxpayer's location.
5. Stratified random sampling is more accurate than manual block sampling.

Computer-Assisted Audit Process

1. Initial Audit Conference—LDR personnel meet with the taxpayer representatives, including accounting and computer data personnel to discuss the scope of the audit and review the general audit procedures and the computer-assisted audit process. The following computer-assisted audit issues will be discussed.
 - a. The scope of the target population
 - b. The accounting system(s) utilized and control documentation
 - c. Sampling method and parameters
 - d. The data fields needed and record layout of the data
 - e. The data transfer media and format options
2. Data Retrieval and Verification
 - a. Once the sampling method and parameters have been decided, the population data will be provided to the computer audit specialist electronically in the preferred format.
 - b. Since the records to be audited are at the transaction level, the required electronic records must include the invoice or general ledger date, invoice or voucher number, general ledger account, customer or vendor name, description, sales or purchase amount, and sales or use tax paid or collected.